



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

May 8, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *tm*
Auditor-Controller

SUBJECT: **WILLIAM S. HART UNION HIGH SCHOOL DISTRICT CONTRACT -
WORKFORCE INVESTMENT ACT YOUTH PROGRAM**

We have conducted a program, fiscal and administrative contract review of William S. Hart Union High School District (Hart or Agency), a Workforce Investment Act (WIA) service provider.

Background

The Department of Community and Senior Services (DCSS) contracts with Hart, an educational institution, to provide and operate the WIA Youth Program. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. Hart's office is located in the Fifth District.

Hart is compensated on a cost reimbursement basis. Hart's contract for Fiscal Year (FY) 2006-07 is for \$177,564.

Purpose/Methodology

The purpose of the review was to determine whether Hart complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

The five participants/guardians interviewed stated that the services they received met their expectations. However, Hart billed DCSS \$2,818 for wages that the participants earned in the prior program year. Hart also billed DCSS \$6,579 for computers and supplies purchased by its subcontractor during the last two months of FY 2005-06 without obtaining approval from DCSS as required. In addition, Hart did not accurately update the Job Training Automation system to report the program activities for nine (90%) of the ten participants sampled.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with Hart on March 16, 2007. In their attached response, Hart concurred with our findings and recommendations. We also notified DCSS of the results of our review and will follow-up our recommendations during next year's monitoring review.

We thank Hart for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Cynthia Banks, Director, Department of Community and Senior Services
Kevin Sarkissian, Program Director, William S. Hart UHSD
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
FISCAL YEAR 2006-07**

ELIGIBILITY

Objective

Determine whether William S. Hart Union High School District (Hart or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We selected a sample of ten (31%) youth program participants from a total of 32 participants that received services during July to September 2006 and reviewed their case files for documentation to confirm their eligibility for WIA services.

Results

All ten participants met the eligibility requirements for the WIA program.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for ten (31%) participants that received services during July to September 2006. We also interviewed five participants/guardians.

Results

The five participants/guardians interviewed stated that the services they received met their expectations. However, Hart did not discuss the Individual Services Strategy (ISS) plan with one (10%) of the ten youth participants on a monthly basis. The issue of not

discussing and documenting their monthly discussions with the participants was noted in the prior year's monitoring report.

Hart also did not accurately update the program activities for nine (90%) of the ten participants on the Job Training Automation (JTA) system. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

Recommendations

Hart management:

- 1. Ensure that staff complete and discuss the ISS plans with the participants on a monthly basis.**
- 2. Ensure that staff accurately update the JTA system to reflect the participants' program activities.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliation for August 2006.

Results

Hart maintained adequate controls to ensure that revenue is properly deposited in a timely manner. However, the Agency made a coding error and posted July 2006 WIA revenue to the wrong account period. Subsequent to our review, the Agency corrected the posting.

Recommendation

- 3. Hart management ensure WIA program revenue is posted correctly.**

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for all ten non-payroll expenditure transactions billed by the Agency for July through September 2006, totaling \$20,853.

Results

Hart billed DCSS \$2,818 for wages that the participants earned in the prior program year. The County contract disallows Agencies to bill for prior years' expenditures.

Recommendations**Hart management:**

4. Repay DCSS \$2,818.
5. Ensure that expenditures charged to the WIA program are accurate and for costs incurred during the contract period.

INTERNAL CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various areas such as cash, expenditures, payroll and personnel.

Results

Hart maintained sufficient internal controls over its business operations. However, Hart did not have policies and procedures in place for monitoring its subcontractor.

Recommendation

6. Hart management establish monitoring policies and procedures to ensure that subcontractors are in compliance with contract requirements.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Hart's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

Verification

We conducted a physical inventory of 10 (34%) WIA funded items totaling \$11,607.

Results

Hart used the assets purchased with WIA funding for the WIA program. However, three computers purchased by Hart's subcontractor totaling \$6,391 were not included in the inventory listing or tagged with County identification. Hart management also was not aware that their subcontractor purchased equipment with WIA funds.

Recommendations

Hart management:

7. Ensure that equipment purchased with WIA funds are properly tagged with County identification.
8. Ensure that the inventory list is current and includes the required information.
9. Approve all equipment purchases made by the subcontractors using WIA funds.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenses invoiced for two employees in August 2006, totaling \$4,872 to the payroll records and time reports. We also interviewed one staff and reviewed the personnel files for the two staff assigned to the WIA program.

Results

Hart appropriately charged payroll expenses to the WIA program. However, Hart did not obtain proof of current auto insurance for the two employees as required by the County contract. Subsequent to our review, Hart provided proof of current auto insurance for the two employees.

Recommendation

- 10. Hart management ensure that required documentation is maintained in the personnel files.**

COST ALLOCATION PLAN**Objective**

Determine whether Hart's Cost Allocation Plan is appropriate and reasonable, prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in July and August 2006.

Results

Hart's Cost Allocation Plan complied with the County contract requirements and costs were appropriately allocated.

Recommendation

There are no recommendations in this section.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's Fiscal Year (FY) 2005-06 final close-out invoice was reconciled to the Agency's financial accounting records.

Verification

We traced and agreed the Agency's FY 2005-06 final close-out invoice submitted to DCSS to the Agency's total WIA program expenditures on their general ledger. The close-out invoice summarizes the total program expenditures for the fiscal year. We also reviewed a sample of expenditures incurred in June 2006.

Results

Hart billed DCSS \$6,579 for computers and related supplies purchased by their subcontractor during the last two months of FY 2005-06, without obtaining approval from DCSS as required. The County contract does not allow the Agency to purchase equipment and supplies during the last two months of the contract period.

Recommendations**Hart management:**

- 11. Work with DCSS to obtain approval for the equipment purchase or repay \$6,579.**

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2005-06 monitoring review were implemented. The report was issued in May 2006.

Results

The prior year's monitoring report contained 11 recommendations. Hart implemented ten (91%) of the 11 recommendations. The remaining recommendation required Hart to ensure that staff accurately update the JTA system to reflect the participant's program activities. We noted a similar finding in our current review. Hart management stated that the Agency plans to implement the outstanding recommendation by April 30, 2007.

Recommendation

- 12. Hart management implement the outstanding recommendation from FY 2005-06 monitoring report.**

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT



March 29, 2007

J. Tyler McCauley
Auditor-Controller
Department of Auditor-Controller
500 West Temple Street, Room 525
Los Angeles, CA 90012-2766

Subject: WIA Contract #20089 Findings Report

Dear J. Tyler McCauley,

This letter serves to inform the Los Angeles County Department of Auditor Controller, Contract Management Division, that the William S. Hart Union High School District and its subcontractor have thoroughly examined the Auditor-Controller's findings report "Revision 3" dated 3/20/07, and are satisfied with the document in its current state, as pertaining to records and policy implementation for WIA Youth Contract #20089 for fiscal year ending June 30, 2005.

While conceding the document in its current state, The William S. Hart Union High School District and its subcontractor intend to pursue accommodations with regard to disallowed costs and subsequent repayment recommendations for said fiscal year.

We thank you for this opportunity to strengthen our program, and for your time and continued consideration.

Respectfully yours,

A handwritten signature in black ink, appearing to read "KS", with a long horizontal flourish extending to the right.

Kevin Sarkissian
WIA Coordinator
William S Hart UHSD
(661) 259-0033 X 525

cc Portia Boord

**WORKFORCE INVESTMENT ACT PROGRAM
WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
FISCAL YEAR 2006-07**

CORRECTIVE ACTION PLAN

ELIGIBILITY

Objective

Determine whether William S. Hart Union High School District (Hart or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We selected a sample of ten (31%) youth program participants from a total of 32 participants that received services during July to September 2006 and reviewed their case files for documentation to confirm their eligibility for WIA services.

Results

All ten participants met the eligibility requirements for the WIA program.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for ten (31%) participants that received services during July to September 2006. We also interviewed five participants/guardians.

Results

The five participants/guardians interviewed stated that the services they received met their expectations. However, Hart did not discuss the Individual Services Strategy (ISS) plan with one (10%) of the ten youth participants on a monthly basis.

Hart also did not accurately update the program activities for nine (90%) of the ten participants such as educational, work experience, supportive services and the completion of leadership training activities, on the Job Training Automation (JTA) system. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. The prior year's monitoring review also noted that Hart's staff did not discuss and document their monthly discussion with the participants as required.

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Recommendations

Hart management:

1. Ensure that staff complete and discuss the ISS plans with the participants on a monthly basis.
2. Ensure that staff accurately update the JTA system to reflect the participant's program activities.

Action

1. Hart management has established a data base for recording client services, both at program headquarters, and at all subcontracting sites. Hart personnel will monitor the accuracy and timeliness of all ISS documentation on a monthly basis.
2. Hart management has instated an internal auditing team which will verify accuracy and timeliness of all JTA entries on a quarterly basis.

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliation for August 2006.

Results

Hart maintained adequate controls to ensure that revenue is properly deposited in a timely manner. However, the Agency posted July 2006 WIA revenue to the wrong account period. Subsequent our review, the Agency corrected the posting.

Recommendation

3. Hart management ensure WIA program revenue is posted correctly.

Action

3. Hart management will request quarterly expenditure reports from the district's accounting office to ensure all WIA revenue and expenditures are posted to the proper account period.

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EXPENDITURES/PROCUREMENT

Objective

Determine whether program related expenditures are allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records, and reviewed documentation for all ten (100%) non-payroll expenditure transactions billed by the Agency for July through September 2006, totaling \$20,853.

Results

Hart billed DCSS \$2,818 for prior year's expenditures which is not allowable per the County contract.

Recommendations

Hart management:

4. Repay DCSS \$2,818.

5. Ensure that expenditures charged to the WIA program are accurate and for costs incurred during the contract period.

Action

4. Hart management will repay \$2,818 to DCSS. Hart management will request quarterly expenditure reports from the district's accounting office to ensure all WIA revenue and expenditures are posted to the proper account period.

5. Hart management will request quarterly expenditure reports from the district's accounting office to ensure all WIA revenue and expenditures are posted to the proper account period.

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and tested transactions in various areas such as cash, expenditures, payroll and personnel.

Results

Hart maintained sufficient internal controls over its business operations. However, Hart did not have policies and procedures in place for monitoring its subcontractor.

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Recommendation

6. Hart management establish monitoring policies and procedures to ensure that the subcontractor is in compliance with contract requirements.

Action

6. Hart management will establish and implement a monitoring policy including program guidelines, with its subcontractor by the close of third quarter, FY 0607.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Hart's fixed assets and equipment purchases made with WIA funds are used for the WIA program and that are safeguarded.

Verification

We conducted a physical inventory of 10 (34%) WIA funded items totaling \$11,607.

Results

Hart used the assets purchased with WIA funding for the WIA programs. In addition, the assets were appropriately safeguarded. However, three computers purchased by Hart's subcontractor totaling \$6,391 were not included in the inventory listing or tagged by County personnel. Hart management was not aware that their subcontractor purchased equipment with WIA funds.

Recommendations

Hart management:

7. Ensure that equipment purchased with WIA funds are properly tagged by County personnel.

8. Ensure that the inventory list is current and includes the required information.

9. Ensure that they approve purchases made by the subcontractors using WIA funds.

Action

7. Hart management will conduct an internal audit of all WIA inventory to ensure program tag compliance on a quarterly basis.

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8. Hart management will conduct an internal audit, in cooperation with its subcontractor, of all WIA inventory in order to ensure accurate inventory accounting on a quarterly basis.

9. Hart management will establish and implement a monitoring policy including program guidelines, with its subcontractor by the close of third quarter, FY 0607.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenses invoiced for two employees in August 2006, totaling \$4,872 to the payroll records and time reports. We also interviewed one staff and reviewed the personnel files for the two staff assigned to the WIA program.

Results

Hart appropriately charged payroll expenses to the WIA program. However, Hart did not obtain proof of current auto insurance for the two employees as required by the County contract. Subsequent to our review, Hart provided proof of current auto insurance for two staff.

Recommendation

10. Hart management ensure that required documentation is maintained in the personnel files.

Action

10. Hart management will review current and subsequent contract requirements with related agency personnel and subcontractor to ensure that required documentation is maintained in personnel files.

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COST ALLOCATION PLAN

Objective

Determine whether Hart's Cost Allocation Plan is appropriate and reasonable, prepared in compliance with the County contract, and applied to program costs.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in July and August 2006.

Results

Hart's Cost Allocation Plan complied with the County contract requirements and costs were appropriately allocated.

Recommendation

There are no recommendations in this section.

CLOSE-OUT REVIEW

Objective

Determine whether the Agency's Fiscal Year (FY) 2005-06 final close-out invoice was reconciled to the Agency's financial accounting records.

Verification

We traced and agreed the Agency's FY 2005-06 final close-out invoice submitted to DCSS to the Agency's total WIA program expenditures on their general ledger and reviewed a sample of expenditures incurred in June 2006.

Results

Hart billed DCSS \$6,579 for computers and related supplies purchased by their subcontractor during the last two months of the FY without obtaining approval from DCSS as required. The County contract disallows the Agency to purchase equipment and supplies during the last two months of the contract period.

Recommendations

Hart management:

11. Work with DCSS to obtain approval for equipment purchase or repay \$6,579.

12. Maintain adequate document to support expenditures billed to DCSS.

Action

11. Hart management will contact DCSS, and obtain approval for the purchase of computer equipment or repay \$6,579. Hart management will establish and implement a monitoring policy including program guidelines, with its subcontractor by the close of third quarter, FY 0607.

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PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2005-06 monitoring review were implemented. The report was issued in May 2006.

Results

The prior year's monitoring report contained 11 recommendations. Hart implemented ten (91%) of the 11 recommendations. As indicated earlier, the outstanding finding was also noted during our monitoring review. Hart management stated that the Agency plans to implement the outstanding recommendation by March, 2007.

Recommendation

13. Hart management implement the outstanding recommendation from FY 2005-06 monitoring report.

Action

13. Hart management will establish and implement a monitoring policy including program guidelines, with its subcontractor by the close of third quarter, FY 0607.